United Nations A/63/775

General Assembly

Distr.: General
19 March 2009

Original: English

Sixty-third session
Agenda item 49
Sustainable development

Letter dated 19 March 2009 from the Permanent Representative of Uzbekistan to the United Nations addressed to the Secretary-General

I have the honour to convey to you the information on the initiative of Islam Karimov, President of the Republic of Uzbekistan, on establishment of the free industrial economic zone on the basis of Navoi Airport — the important step towards creation of the transcontinental transit and innovative hub — and on perspectives of Uzbekistan's economic development in 2009-2014 (see annex).

I would appreciate your circulating the present letter and its annex as a document of the sixty-third session of the General Assembly, under its agenda item 49.

(*Signed*) Murad **Askarov**
Permanent Representative of the Republic of Uzbekistan

09-27442 (E) 270309 300309

Annex to the letter dated 19 March 2009 from the Permanent Representative of Uzbekistan to the United Nations addressed to the Secretary-General

An initiative by President Islam Karimov of Uzbekistan to set up a free industrial economic zone centred on Navoi Airport — an important step in establishing a transcontinental transit and innovation hub — and prospects for the economic development of Uzbekistan during the period 2009 to 2014

By now, virtually every country in the world is confronting the consequences of the global financial crisis to some degree. On the one hand, measures are being taken to cushion its impact on national economies, while on the other, everyone realizes that the existing international economic exchange system is now crumbling, and that the international financial system is in a state of collapse.

The current financial crisis has exposed yet another shortcoming in the international economic system: the industrial and investment growth models or, to be more precise, the financial and speculative growth models imposed by various international and transnational financial organizations involved in speculation on the markets for stocks, bonds and certain other financial instruments, have proved useless.

In that connection, it is very important, for the sake of the stability of the global financial system, to find new economic growth models capable of ensuring the sustainable development of the world's economies, especially those of developing countries, in the context of global financial instability. Economic growth needs to be nurtured and supported so that the international community can emerge relatively painlessly and with minimal losses from the biggest and deepest financial crisis since the Great Depression of the 1930s.

The model of sustainable economic growth implemented by Uzbekistan over the last seven years, under which average annual growth of 7-9 per cent has been achieved, was developed by the Government almost exclusively on the basis of domestic resources, without borrowing from abroad, and thus without any increase in external debt. In Uzbekistan, much attention is being focused on the development of new, promising branches of industry, agriculture, services, etc.

The Uzbek model of sustainable economic growth shows that if we approach national economic development responsibly, wisely and with a grasp of underlying trends in international economic development, it is possible to lay a solid foundation not only for cushioning the impact of the international financial crisis on developing countries' economies, but also for creating havens of relative stability and prosperity in the stormy seas of global financial instability.

For all these reasons, the example of the reform and development of the Uzbek economy not only merits attention and study, but could also be applied by other countries whose basic economic, environmental, climatic, historical and other circumstances are similar.

One recent move by the Government of Uzbekistan to increase the competitiveness of the national economy and ensure its competitiveness on the

international market and its stability during the global crisis is the project now under way to establish a free industrial economic zone centred on Navoi Airport. This intermodal logistics centre will serve as a long-term sustainable development resource, not only for the economy of Uzbekistan but for that of the entire Central Asian region.

In a monograph referring to the impact of the international financial and economic crisis, President Karimov stated, in particular:

"Many of the top think tanks and research centres, having analysed material related to the global financial crisis and its possible ramifications, have drawn the following conclusions:

First: the virtually global scope of the financial and banking crisis is now clear, as are the inevitability of recession and an economic slump, the contraction in investment activity, the reduction in demand in international trade, and the possibility of serious social costs in many countries.

Second: the global financial crisis that has erupted has revealed serious gaps in and the need for radical reform of the international financial and banking system, and has confirmed that the necessary oversight of banking activity is lacking. The banks have primarily been serving their own corporate interests and have been engaging in various speculative operations on the credit and securities markets.

Third: the scope, depth and consequences of the financial and economic crisis within each individual country will largely depend on the soundness of its financial and monetary system, the capitalization and liquidity of its national lending institutions and the extent of their reliance on foreign and corporate banking institutions, and also on the volume of its gold and currency reserves, its ability to pay back foreign loans and ultimately the stability, diversity and competitiveness of its economy.

Fourth: the speedy resolution of the international financial crisis and the attenuation of its effects will depend to a large extent on the effectiveness and consistency of measures taken by individual countries and by the international community as a whole.

The Group of Twenty (G-20) summit, held in Washington, D.C., in November 2008, whose participants represent some 85 per cent of total world output, underscored the ever-increasing scale of the global financial crisis.

The discussions at the summit showed that prevention is no longer an option and that we must now find ways out of the international financial crisis; in other words, a line has been crossed and there can be no return to previous positions.

It was also clear from the summit discussions that participants differed in their analyses of the reasons for the crisis, and it is therefore premature to speak of elaborating any kind of common, effective programme to counteract the serious and far-reaching impact of the ongoing crisis.

At the same time, the very fact that such a summit was held and that the problems and the crisis situation were discussed is in itself an encouraging sign.

Today, it is clear that a country's degree of vulnerability to the impact of the global financial crisis depends first and foremost on the stability and soundness of

its financial, economic and banking systems and on the strength of those systems' built-in defence mechanisms.

The reform and modernization model adopted in Uzbekistan, the goal of which is to secure national interests for the long term, has from the beginning implied a rejection of the shock therapy methods and naïve, delusional ideas about market self-regulation that are persistently being imposed on us.

The total assets of Uzbekistan's commercial banks, which now include the reserves formed under the Law Guaranteeing the Protection of Citizens' Bank Deposits, are in excess of 13,360 billion sum, or approximately 2.4 times more than the total deposits made by the public and by enterprises.

It should be recalled that the cumulative external debt of Uzbekistan as at 1 January 2009 amounted to 13.3 per cent of the country's gross domestic product (GDP) and has been classified according to international norms as 'less than moderate'.

In setting our main economic priorities for 2009, there is no need today, given current conditions, to dwell on the importance of taking into account the impact of the global economic crisis, which, according to authoritative international experts, will continue, and perhaps even deepen, this year and in 2010.

With that in mind, it is obvious that the main priority for Uzbekistan's economic and social development in 2009 will continue to be the implementation of the anti-crisis programme that we have adopted for 2009-2012.

The next most important priority is to continue developing our economic and social infrastructure, which is a crucial factor in modernizing the country and boosting employment."

The President is devoting special attention to that priority, "as it is of the greatest importance to the country.

There are many reasons for this:

First, infrastructure development facilitates the establishment of new businesses and the development of the economy as a whole, and improves access to the country's rich mineral resources;

Secondly, a well-developed and efficient economic infrastructure system, especially roads and railway lines, is crucial to reducing bottlenecks in production, which boosts industrial competitiveness and the general competitiveness of our economy;

Thirdly, the development of the social infrastructure, the provision of clean drinking water and adequate energy supplies and the building of social amenities are aimed at improving the quality of life;

Fourthly, since the infrastructure development sector is a major employer, new jobs can be created, boosting employment, especially among young people, and raising income levels and general well-being.

In order to ensure quick economic and social infrastructure development and thus to promote stable and dynamic economic development, a special programme entitled 'Additional measures for further development of the economic and social

infrastructure in 2009' has been adopted, and the Government has assumed responsibility for the programme."

President Karimov considers that "a key factor in the success of the free industrial economic zone will be the transcontinental intermodal hub operating right next to it, which will be run, starting in January 2009, by the world leader in air cargo shipment, Korean Air".

The establishment of an international intermodal logistics centre will not only provide a transcontinental transport and shipping hub linking South-East Asia and Europe, but will also promote the establishment of new high-tech industry in Navoi province and nearby regions. This is one of the most promising projects and will have a positive impact on economic development not only in Uzbekistan but in the entire Central Asian region.

On 5 March 2009 a conference entitled "The free industrial economic zone in the city of Navoi — new investment prospects in Uzbekistan for Korean partners" took place in Seoul. More than 1,200 business people from the Republic of Korea participated.

Situated at a very important highway, railway and air route junction, Navoi Airport links the countries of South-East Asia with those of Central and South Asia, the Middle East and even Europe. In the very near future Navoi Airport will have air links to such large European and Asian cities as Singapore, Delhi, Bangkok, Frankfurt and Milan.

The free industrial economic zone will be governed by a special fiscal, customs and currency regime, with simplified procedures for import and export and for non-residents to obtain work permits; no taxes will be payable on land, goods, profits or improvements on buildings and social infrastructure; and the standard tax payment will be waived.

The success of the conference is attested by the fact that participants signed 35 investment projects and agreements worth more than $500 million in total.

During the conference there were thematic round tables on the priority areas of cooperation in sectors such as the petroleum, gas, petrochemical, chemical, textile and electro-technical industries, as well as information technology and telecommunications, the production of construction materials, the pharmaceutical and food industries, the production and processing of food products, and tourism, for all of which specific investment projects were presented.

The scope of economic cooperation between Uzbekistan and the Republic of Korea has been growing constantly. In 2008 alone, more than 80 Korean business delegations visited Uzbekistan. The establishment of the free industrial economic zone in the city of Navoi is generating increased interest in Uzbekistan, and analysts project that this will lead to increased business activity, not only among Korean companies but also among those from other countries.

In speaking of the development of a modern economic and social infrastructure, it is important to note that Uzbekistan plans to implement 327 investment projects from 2009 to 2014, with a total value of more than $40 billion. These projects form part of a modernization programme involving the technical and technological re-equipping of enterprises in the basic branches of the economy. The programme has been endorsed by decision of President Karimov.

The programme includes 181 projects in the productive sector of the economy that amount to $22.97 billion and are under way or ready to go. Out of this amount $15.4 billion is earmarked for new construction, $6.4 billion for the modernization and reconstruction of existing enterprises, and about $1.2 billion for technical and technological re-equipment.

Financing for the projects will come from foreign investments and loans amounting to about $15.1 billion, resources of the enterprises themselves in the amount of $5.8 billion, loans from the Fund for the Reconstruction and Development of Uzbekistan amounting to $1.5 billion, and loans from domestic commercial banks in the amount of $570 million.

The programme includes 77 other projects that are being worked on with an estimated value of $12.2 billion, including new construction projects amounting to $9.5 billion and modernization and technical re-equipment projects worth $2.7 billion.

The programme also foresees 69 promising investment projects, estimated at $7.3 billion, in the fuel and power sector, the chemical and metallurgical industries, light industry, the production of construction materials and machine building.

According to Government projections, these projects, thanks to their use of innovative technology and their ability to meet the demand for new types of goods on the world market, will lead to an increase in production amounting to $10.4 billion per year and a $6.5 billion rise in exports per year.

Last year investment from all sources in the Uzbek economy rose by 28.3 per cent to $6.4 billion, while foreign investment rose 46 per cent to $1.7 billion. Direct investments made up 74 per cent of the overall foreign investment.